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4520 EAST WEST HIGHWAY
SITE 800
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Today

CORPORATE FINANCE

First Boston Corp. remained the leading underwriter of asset-backed securities in 1987, but its market share shrank as six other investment banks entered the field. **2**

Secondary market prices for Third World debt declined slightly in December after a November gain. **2**

Morgan Guaranty Trust Co. has settled for a relatively small fee in advising F. Hoffmann-La Roche & Co. on its \$4.2 billion hostile takeover bid for Sterling Drug Inc. **2**

Citibank South Dakota, which issues Mastercard and Visa cards, has emerged as an active participant in the U.S. interest rate swap market, according to the Federal Reserve Bank of Boston. But its swap business is confined to Citibank. **8**

Acting as investment bankers to municipalities has brought commercial banks few rewards, according to a new study from Greenwich Associates. **8**

Two leading Missouri banks, already hit hard with bad real estate and Third World loans, must now also contend with the bankruptcy of a major oil company. **10**

Citicorp's loyalty has been challenged after a British supermarket chain fired the bank for backing a hostile takeover bid. **10**

Increasing competition and more credit problems will be the rule for asset-based lenders in 1988, especially if the economy slips into a recession, say industry leaders. **32**

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The Supreme Court decided to let stand the Fed's approval for a bank holding company to operate a brokerage subsidiary that trades securities and offers investment advice. **3**

The economy will escape a recessionary maelstrom in 1988 as consumers move cautiously after the Oct. 19 stock market crash, according to a survey of 19 economists. **6**

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Continental Illinois Corp. has hired S. Waite Rawls 3d, a Chemical Bank executive, as vice chairman. **25**

KEEPING CURRENT

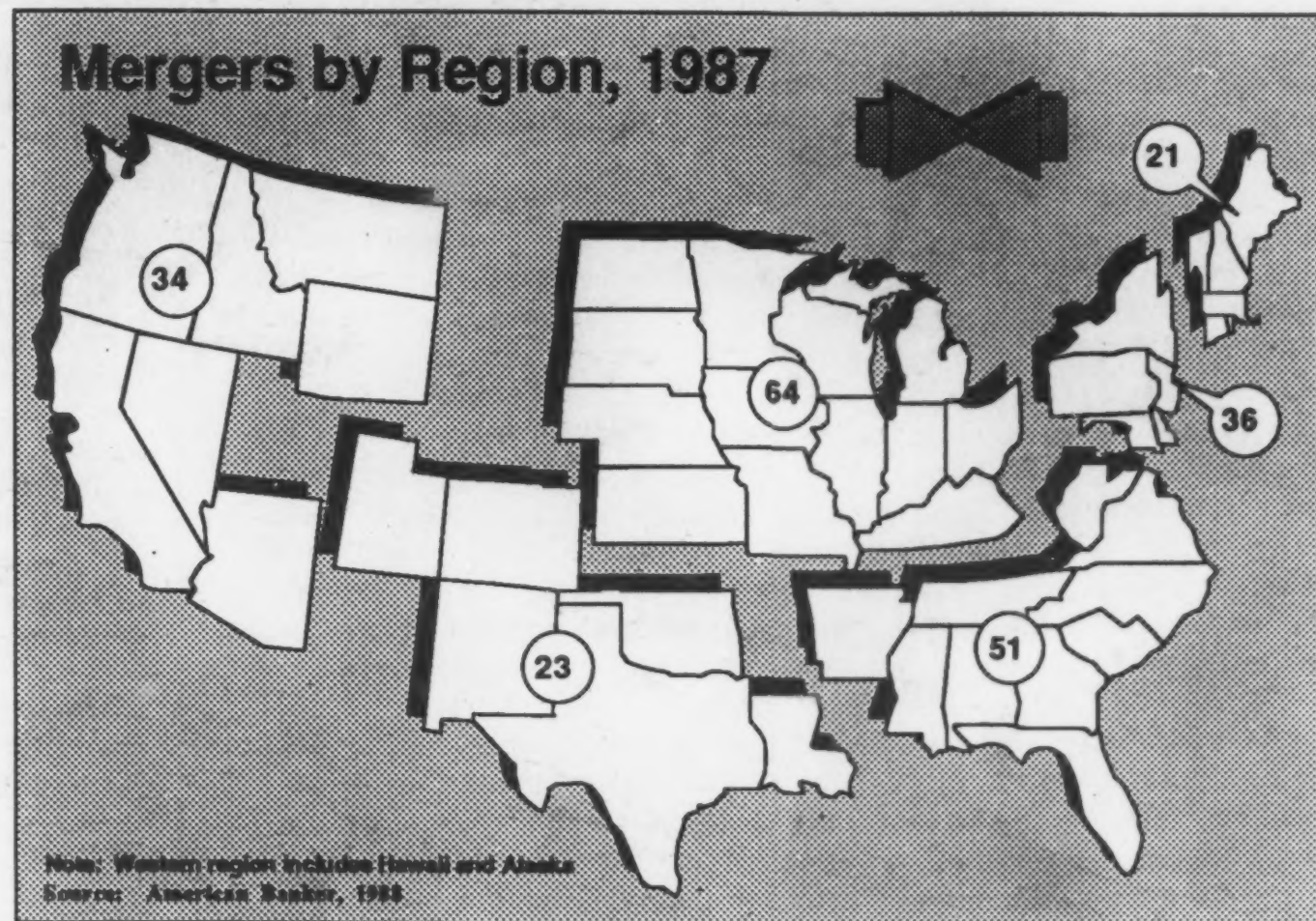
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Quote/Unquote

The highest court in the land has made it crystal clear that agency brokerage, plus investment advice, is permissible by bank affiliates.

Donald J. Crawford, a Securities Industry Association official.
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Despite the Crash, 1987 Was a Year for Mergers



But Activity Slumped After Market Prices Fell

By GORDON MATTHEWS

NEW YORK — The 1987 merger scene in the banking and thrift industries can be divided into two separate and unequal parts — the period before the stock market crash of Oct. 19 and the three months since that watershed financial event.

Just before the market plunge, merger activity was proceeding at its fastest pace of the year, and high-priced acquisition agreements were regularly being unveiled, although the year's largest deals were more moderately structured mergers of equals. (Tables of mergers and acquisitions begin on page 18.)

Since the dramatic fall in equity prices, the level of deal-making has slumped significantly, and a number of acquisitions already in the works have been canceled. But at the same time the stage may already have been set for the next wave of industry consolidation.

In short, the merger scene in the year just ended was punctuated by extreme highs and lows. Measured by the value of deals being announced, activity was almost five times greater in the busiest month — July — than in either of the two slowest months, January and December.

Nearly half the combined value of the year's deals was announced in just three months — July, August, and September. A significant fraction of that was a result of the decision of an important state — New Jersey — to open its borders to reciprocal interstate banking on a nationwide basis as of Jan. 1, 1988.

And while fewer deals were announced than in 1986 — the first full year of regional interstate banking — the aggregate price of deals was \$17.15 million, exceeding the \$16.71 million of the previous year. Perhaps that should not be surprising, since the

Mergers: Page 14 ➔

COMMENT

How to Raise Risk-Adjusted Spreads

By SANFORD ROSE

Are banks getting paid enough for the risks they are assuming in commercial and industrial lending? Most would argue that they are not, but few have any firm idea of the spreads required to cover their risk. Now along comes Dimensional Corporate Finance of San Francisco with an analysis of the total yields needed in lending to companies in five discrete risk classes versus the actual yields being realized. The results are mind-boggling.

In order to understand the risks built into C&I loan portfolios, Dimensional undertook an extensive study of bankruptcies of public firms for the period 1979-86. It constructed a measure of creditworthiness called the Shadow Bond Rating which closely mirrors the actual rating for publicly issued senior debt and can be expected to provide a good indication of what rating a company would receive on privately issued senior debt. Based on this measure, Dimensional was able to array some 3,500 borrowers with both rated and unrated debt into five risk classes mimicking those of the rating agencies — a,

Comment: Page 4 ➔

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COMMENT

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triple b, double b, b, and triple c.

What spreads are required to cover the risks of lending to borrowers in each class? Credit risk can be subdivided into expected and unexpected losses. Expected losses are derived from the average annual loss experience of borrowers in each risk class. Unexpected losses reflect the lumpiness or variability of chargeoffs. This is measured by the standard deviation of losses during the 1979-86 period.

Two Premiums

Lenders should be able to charge enough to cover their expected losses and some proportion of the unexpected losses. Data from the securities markets indicate that lenders typically demand a premium equal to expected or average losses plus an additional premium amounting to one-half the unexpected losses or the standard deviation.

Thus, in order to maintain a loan portfolio that will fetch at least par if sold, a lender to the entire universe of 446 companies assigned an "a" rating by Dimensional should receive a premium over its cost of funds that is equal to the average net loss experience — defaults minus recoveries — of these companies from 1979 to 1986 (3 basis

points) plus 50% of the standard deviation of losses (another 3 basis points).

Hence, if we assume that a bank in 1986 could borrow at the Libor rate of 7.50%, its breakeven lending rate to a-rated borrowers — not taking into account functional costs — amounted to 7.56%.

Breakeven yields for lower-rated borrowers rise fairly dramatically. That's because of three factors: The average loss experience increases, the recovery rate declines, and the standard deviation of losses rises disproportionately as we move down the quality spectrum. The breakeven yield for triple b borrowers amounted to 8.10%; those for double b, b, and triple c borrowers were 9.24%, 10.42%, and 13.23%, respectively.

Dimensional then estimated the actual all-in spread realized in each borrower class, based essentially on work done by the Loan Pricing Corp. of New York. This spread includes rates, fees, and the value of balances.

Where's the Spread?

Subtracting the required or breakeven yield from the realized yield provided a measure of the risk-adjusted spread. Arrayed by risk class in descending order, banks made 24 basis points from a-rated borrowers, 19 basis points from triple b customers, 34 basis points from double b borrowers, and 41 basis points from b borrowers. They lost 178 basis points on loans to customers rated triple c.

Two conclusions are obvious. First the size of the risk-adjusted spread is everywhere pitifully low. Second, banks don't make very much more from lower-quality borrowers than they do from higher-quality customers after returns are deflated for risk.

However, the analysis thus far presupposes that banks lend to the entire universe of borrowers in each risk class. This assumption is extremely unrealistic. No bank holds a completely diversified portfolio. If we assume more realistically that banks lend to only a few companies in each risk category, what happens to risk-adjusted spreads?

If markets are reasonably com-

petitive, the realized yield remains the same. The average net loss experience also stays the same. But the consequence of lending to only a small part of the universe of available borrowers is a much enhanced year-to-year variability in losses, as measured by that standard deviation.

Dimensional has estimated the additional risk premium arising from holding relatively overconcentrated loan portfolios — which is the norm — and then recomputed breakeven yields. For example, a bank that lent to the full universe of 703 triple b companies had a breakeven yield of 8.10% and a risk-adjusted spread of 19 basis points. But if that bank lent to only 20 of these companies and the fortunes of these companies were 50% correlated, the standard deviation of losses would rise from 64 basis points to around 100 basis points.

Hence the breakeven yield would increase from 8.10% to 8.28%, and the risk-adjusted spread would practically disappear. In effect, the bank would not be getting paid at all for the risks it was assuming.

Truth About Downscaling

Calculating revised risk-adjusted spreads on the above assumptions, Dimensional reaches the conclusion that there is no profit at all in lending to lower-grade borrowers. Risk-adjusted spreads are zero to negative for every class of borrower, except the a-rated category.

To be sure, individual banks may lend to many more than 20 borrowers in each of the various categories. To the extent that they do, their risk-adjusted spreads may turn out to be positive in some borrower categories.

But since these banks are unlikely to lend to anything approaching the full universe of customers in each category, loan-loss variability will remain reasonably high, raising risk premiums and lowering risk-adjusted spreads below what they would have been if the banks had confined their lending to the top-rated customers.

Lending to a-rated borrowers results in low nominal spreads, but also low expected losses. And the

level of expected losses is highly correlated with that of unexpected losses — the standard deviation. That is, low average losses mean a low standard deviation, while high average losses are associated with a high standard deviation.

Otherwise put, if a bank served only top-grade borrowers, it would not need very much diversification to realize better risk-adjusted returns than it would if it served lower-quality customers. Because standard deviations rise so sharply as the bank moves to a lower-quality customer base, it would probably have to become a far more diversified lender than it is capable of becoming in order to equal or surpass the risk-adjusted returns earned from the top-rated borrowers.

This is not to argue that the returns from lending to a superior clientele are adequate. As noted, they are anemic. The point, however, is that the average bank cannot do any better by moving more decisively into the middle market of lower-grade credits. In fact, according to this evidence, it could do worse — much worse.

Pitch for Pooling

The upshot is that banks can produce improved risk-adjusted returns in only one of two ways. They can concentrate on lending only to investment-grade borrowers. Nominal returns may fall, but since risk-adjusted returns will move up, equity valuations will probably improve.

Alternatively, banks can seek more or less full diversification in all lending markets, except among the triple c group of borrowers, where no amount of diversification will achieve positive returns.

No bank on its own can reach anything like full diversification. This is feasible only if banks join together in pooling arrangements, under the terms of which they contribute loans of a given risk class and take back proportional interests in a pool that roughly represents a cross-section of the outstanding debt in that class.

Dimensional is currently engaged in efforts to construct such pools. Its labors merit the closest scrutiny of all bankers anxious to improve their risk-return tradeoffs.

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One State Street Plaza, New York, N.Y. 10004
(212) 943-6700

Editor: William E. Zimmerman

News Editor: Thomas J. Ferris

Associate Editors: Laura Gross,
Sanford Rose, David O. Tyson

NEWS BUREAUS:

Washington: Chief, Robert Trigaux, 911 National

Press Building, Washington, DC 20045; (202) 347-5529

Midwest: Chief, Richard Ringer, 53 W. Jackson

Bldg., Suite 230, Chicago, Ill. 60604; (312) 663-6380

West Coast: Chief, Robert Luke, Suite 320, 510 W.

Sixth St., Los Angeles, CA 90014; (213) 627-0953

San Francisco: Michael A. Robinson, c/o Scott

Marshall, Sands, & McGinley, 433 California St., Suite

505, San Francisco 94104; (415) 986-8705

Southwest: Chief, David LaGesse, Suite 1600, 8080

North Central Expressway, Dallas, TX 75206; (214)

891-8878

New England: Chief, Michael Weinstein, 210

South St., Boston, MA 02111; (617) 542-6848

London: Chief, John J. Duffy, American Banker,

c/o Infopac S.A., 31-35 Beak St., London W1R 3LD

England; (01) 439-3066

Feature Editions Editor: Patricia Stundza

Chief Statistician: L. Michael Cacace

Senior Editor, Copy Desk: Aileen L. Kyte

Art Director: Pamela Budz

Contributing Editor: Paul S. Nadler

President: Richard H. Tierney

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Publishing - Edmund C. Burke

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Advertising:

New York: (212) 943-4259

Chicago: (312) 663-6390

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WHAT'S YOUR ANSWER?

Credit Report on Employee's Spouse Was Obtained Illegally

By CHARLES G. DALEY

Is an employer liable for requesting a credit report on an employee's spouse?

YES. The Fair Credit Reporting Act, 15 U.S.C. Sec. 1681, limits the circumstances under which a credit report may be requested.

Unless a spouse is listed on a loan application, a lender may not request a credit report on the loan applicant's spouse. Similarly, an employer may not request a credit report on an employee's spouse.

Valley Federal Savings & Loan Association of Grand Junction, Colo., was recently assessed \$61,500 in damages for violating this prohibition. In this case, the thrift employee was a loan officer who married Joseph Zamora.

When they were married, Valley Federal obtained a credit report on Mr.

Zamora by claiming that the report was sought for employment purposes. At the time the report was requested, Mrs. Zamora was being considered for a branch manager position.

The credit report indicated, among other things, an unpaid telephone bill. When the thrift's request caused the phone company to take steps to collect the bill, the Zamoras learned of the request for the credit report.

Mr. Zamora then filed suit under the Fair Credit Reporting Act, claiming that Valley Federal had knowingly and willfully obtained a credit report in violation of the act. The trial court ruled that a credit report cannot be obtained on the spouse of an employee for "employment purposes."

The court held that the S&L had obtained the credit report under false pretenses. The jury awarded Mr. Za-

mora \$61,000.

The U.S. Court of Appeals affirmed the award. (Zamora v. Valley Federal Savings and Loan Association of Grand Junction, Colo., 811 F. (2) 1368, 1987)

On appeal, Valley Federal argued that an employer may obtain a credit report on a spouse of an employee being considered for a security-sensitive position, because the report would be used to evaluate the trustworthiness of the employee. The appeals court disagreed.

The Fair Credit Reporting Act permits an employer to obtain a credit report on the employee only. Obtaining a report on the employee's spouse would violate the right of privacy that the act is intended to protect.

The appeals court agreed that Valley Federal knowingly obtained the report under false pretenses.

CORPORATE FINANCE

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

I don't see how anyone is going to bank with them if they go around acting like this.

— Dee Corp. chief Alec Monk after cutting the U.K. firm's ties to Citicorp

Credit Lines

Ward Goes to Euromarket

Montgomery Ward Credit Corp., Wilmington, Del., has completed a \$260 million Euro-market revolving credit facility with Swiss Bank Corporation International Ltd.

The three-year agreement includes the participation of: Amsterdam-Rotterdam Bank NV, Bank of New York, Bank of Tokyo/California First Bank, Continental Illinois National Bank and Trust Company of Chicago, Mitsubishi Bank Ltd., Societe Generale, Banca Nazionale del Lavoro, the Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Deutsche Bank AG, Royal Bank of Canada, Algemeene Bank Nederland, and Istituto Bancario San Paolo di Torino.

Montgomery Ward Credit said it will use the facility as additional backup for its commercial paper activities.

Topps Lands Unsecured Credit

Topps Co., a baseball card and bubble gum company, has signed a definitive credit agreement with a group of banks for \$175 million in financing, most of which will go toward the payment of a special dividend to shareholders. The unsecured financing, led by Manufacturers Hanover Trust Co., will consist of a \$140 million term loan and a \$35 million revolving credit.

Bank officials said the term loan will be initially priced at one percentage point over the bank's prime rate, or two percentage points over the London interbank offered rate, and



will be payable over eight years in quarterly installments — \$2.5 million per quarter for the first two years, \$3.75 million per quarter over the next three years, and \$6.25 million per quarter over the final three years.

When the balance of the term loan falls below \$100 million, the price of the facility will be reduced by 25 basis points, and will continue to be reduced in increments of 25 basis points as the balance falls below \$80 million, \$60 million, and \$40 million.

In addition to Manufacturers, the lending group consists of Continental Illinois Bank and Trust Company of Chicago, Long-Term Credit Bank of Japan, Hibernia National Bank of New Orleans, Carteret Savings Bank, and Equitable Bank.

Great Western Gets Backup

Great Western Bank, Beverly Hills, has syndicated a \$350 million standby revolving underwriting facility through Merrill Lynch International & Co.

The three-year facility will be used as a backup for Great Western's commercial paper program. The pricing, similar to that achieved by AA-rated financial institutions, consists of an annual facility fee of 10 basis points, a maximum margin on the notes of 10 basis points over Libor, and allocation fees ranging from 2.5 to five basis points.

Lead managers for the syndicate group are: Bank of Montreal, Canadian Imperial Bank of Commerce, Credit Lyonnais, Fuji Bank Ltd., and Westdeutsche Landesbank Girozentrale. Managers are: Bank of Tokyo Ltd., Mitsubishi Bank Ltd., and Tokai Bank Ltd. Comanagers are: Banco di Roma, Barclays Bank PLC, Deutsche Genossenschaftsbank, Istituto Bancario San Paolo di Torino, Mitsui Bank Ltd., and Sanwa Bank Ltd.

Great Western Bank's commercial paper ratings are A1/P-1, and its unsecured long-term debt ratings are A/A2.

— Philip T. Sudo

Credit Card Bank Likes to Swap

Citicorp's Dakota Unit Is Active in the Market To Hedge Receivables

By LISABETH WEINER

CHICAGO

CITIBANK South Dakota NA, the Citicorp subsidiary that issues MasterCard and Visa credit cards, has emerged as an active participant in the \$313 billion U.S. interest rate swap market.

According to figures compiled by the Federal Reserve Bank of Boston from bank call reports dated June 30, 1987, Citibank South Dakota, Sioux Falls, has outstanding swaps with a notional value of \$2.1 billion, making it the 19th largest commercial bank swap player in the U.S. That's more than double the amount of swaps that the bank had outstanding at the end of 1986, the first year that the Citicorp subsidiary booked swaps.

Yet despite the magnitude of this interest rate swap activity, a poll of major commercial bank and investment bank swap dealers shows that no one has ever heard of Citibank South Dakota as a swap counterparty. That's because Citibank South Dakota only does swap business with Citibank, Citicorp's main bank subsidiary and the largest commercial bank swap player in the U.S.

A Citibank swap dealer confirmed that Citibank South Dakota conducts its swaps to hedge its credit card receivables. Since the two companies are separate legal entities, Citibank South Dakota's swaps are counted apart from those of Citibank's.

A swap is an exchange of interest rate obligations be-

tween counterparties. Financial institutions and corporations "swap" fixed-interest-rate payments for floating-rate payments, as a means of managing their asset liability, reducing their funding costs, and improving their balance sheets.

The market has exploded in the last few years as swap dealers have customized transactions to fit each participant's needs.

Meanwhile, swaps have proven to be a source of reliable income for banks, even though as the market has become more competitive, swap spreads have been greatly reduced.

Swap dealers said the use of interest rate swaps to hedge credit card receivables has become standard practice, although banks appear to use different strategies, depending on their own funding sources and the size of their portfolios. For Citibank South Dakota, swaps are clearly a crucial tool in managing the credit card portfolio, which is estimated to be about \$10 billion. The bank is estimated to have about 15.4 million cards outstanding.

Citibank South Dakota's aim in hedging its credit card portfolio is to match the receivables, which are funded on a variable-rate basis but are considered to be a fixed-rate asset, with a fixed-rate payment. This protects the bank against rising interest rates.

A Balancing Act

Credit card receivables, according to swap sources, are considered to be a term fixed-rate asset with an average life of between one and two years. In order to maximize the spread, the bank pays the fixed interest rate in the swap and receives the floating interest rate. This gives the bank a steady stream of interest rate payments to help cover the costs of financing the credit card portfolio.

Because credit card receivables carry interest rate

Citibank: Page 30 ➡

Commercial Banks Harvest Few Rewards As Investment Bankers to Municipalities

By JED HOROWITZ

NEW YORK

MUNICIPALITIES and other public-finance issuers paid an average of \$3.6 million in investment banking fees and commissions in a recent 12-month period, but commercial banks reaped few of the rewards.

According to preliminary results of a new study from Greenwich Associates, issuers paid a disproportionately large amount of their fees — 40% — to their most important investment bank and another 18% to their second most important investment bank. However, a Greenwich official estimated, only about 2% of issuers mentioned commercial banks as their top advisers and brokers.

This reflects less on the talents of commercial banks than on regulatory restrictions, the Greenwich official said. Most of the 273 issuers interviewed raised money through negotiated revenue bonds. This area is, to a great extent, off limits to banks because of Glass-Steagall Act restrictions.

The issuers represented housing authorities, utilities, health and education agencies, and state and local governments. They paid annual fees ranging from zero to over \$20 million.

Nine percent of the issuers, led by health and education authorities, told Greenwich they paid no investment banking fees for the preceding 12 months. Three per-

cent, all from state, local, or county governments, said they paid over \$20 million in fees.

The mean fee paid by the typical issuer was \$3.64 million. Utilities averaged the highest fees, \$4.65 million. Health and education authorities paid the lowest, \$1.02 million. Greenwich did not identify the issuers.

The consulting firm, based in Greenwich, Conn., surveys the corporate world on the quality of financial services they receive. The Greenwich survey — its first

on public finance — comes at a paradoxical time.

Many of the leading investment banks on Wall Street have trimmed or shed their municipal bond businesses, citing new tax laws that restrict sales of the securities and profit-cutting competition from commercial banks. Salomon Brothers Inc., the biggest municipal dealer, stunned Wall Street last fall by eliminating its department.

Last week, Citibank eliminated

Study: Page 11 ➡

Where Companies Turn for Services

Percentage using investment and commercial banks

Service	Use Service	Use Investment Bank	Use Commercial Bank
Bonds — negotiated	65%	93%	17%
Bonds — competitive	36	73	34
Notes — negotiated	26	54	27
Notes — competitive	14	56	49
Variable-rate issues	28	86	18
Debt refunding	61	87	17
Private-purpose bonds	20	75	13
Taxable bonds	8	64	9
Interest rate risk-management products	4	67	42
Commercial paper dealer	9	88	17
Financial advice	63	65	14
Reinvestment of bond proceeds	29	60	35

Source: Greenwich Associates

CORPORATE
FINANCEStudy of Public Finance Shows
Few Fees for Commercial Banks

Continued from Page 8

most of its public finance operations. A Citibank spokeswoman said that Richard Stuart, division executive for municipalities, was being transferred to the bank's global equities area.

Greenwich conducted its survey last September and October. At least two-thirds of the senior executives interviewed were questioned before the Oct. 19 stock market crash. The market debacle contributed to the abandonment of the municipal bond business at several investment firms, and left several issuers scurrying for new bankers.

Issuers most often turned to commercial banks when they wanted to sell competitive notes or use interest rate risk-management products. However, these services were among the least popular for issuers in general.

Only 4% said they used swaps and other risk-management products, while just 14% sold competitive notes. The most frequent swap users were utilities and health and education authorities, according to Greenwich.

Insurance Group
Sells Receivables

By ANDREW ALBERT

NEW YORK — A small group of banks led by Continental Illinois National Bank and Trust Company of Chicago has purchased \$150 million of insurance-related receivables from Reliance Group Holdings Inc.

The New York-based insurer declined to comment on the private transaction. A source said the bank group bought three different types of short-term receivables from Reliance, including agent balances and loans financing premium payments.

Bankers said the Reliance transaction was one of several receivables purchases completed by commercial banks before yearend. Free of disclosure requirements, such transactions can be arranged quickly to accommodate corporate clients making last-minute balance sheet adjustments.

Once the specialty of only a handful of major banks, including Continental, the receivables-purchasing business has recently attracted several newcomers. After purchasing loans, banks frequently turn around and sell the assets to a third party for a lower yield than they received.

A source said the bank group in the Reliance deal planned to hold the loans to maturity. Two of the three types of receivables bought were due to mature within about 90 days. The third set of receivables matures within a year.

Purchasing banks will receive a yield tied to the London interbank offered rate. The deal was structured as a one-time purchase, rather than a revolving credit facility in which a client can continuously sell receivables — up to a predetermined level — to its bankers. The transaction closed in December.

Reliance is by no means new to the asset sales game. In fact, it was the beneficiary of one of the year's more innovative securitized deals.

Last year, Manufacturers Hanover Trust Co. developed an off-balance-sheet method for Cannanwill Inc., a subsidiary of Reliance, to sell up to \$160 million of receivables.

The most popular investment banking services used by all issuers were negotiated bond sales, financial advice, and debt refunding. At least 60% of those surveyed used these services in the one-year period beginning fall 1986. Commercial banks, however, are effectively locked out of the negotiated market, which is usually linked to revenue bonds.

In a negotiated deal, an issuer works with one investment banker on structuring and distributing a security. By contrast, an issuer invites a number of investment banks to bid in an informal auction. A competitive issue, generally less remunerative than a negotiated

deal, usually involves simpler transactions.

Only 17% of the issuers who offered negotiated bonds last year went to a commercial bank. This compares with 93% who consulted an investment bank. Since most issuers used a number of banks throughout the year, percentages are greater than 100%.

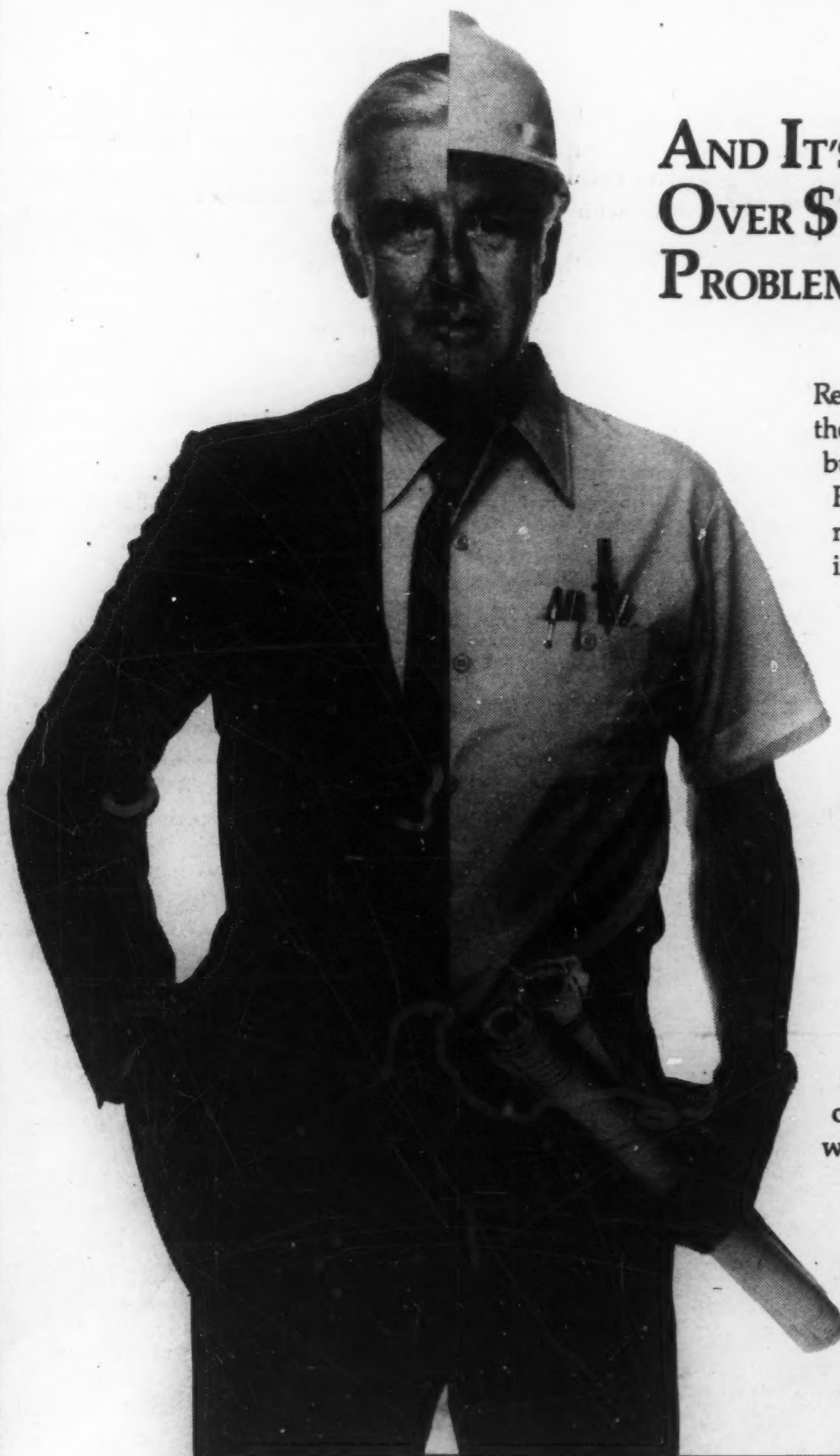
Other Findings

In other findings, Greenwich discovered that municipalities were the most frequent issuers of competitive bonds and notes. Utilities tapped the broadest range of investment banking services.

Greenwich prompted responses by giving executives a list of 55 firms, 17 of which were commercial banks. The respondents also had the opportunity to fill in other names.

Greenwich would not release names of specific banks. An official said the prompt list included money center institutions and superregionals.

According to Securities Data Co., only Citibank and Chase Manhattan Bank ranked among the top 15 lead managers of long-term municipal issues in 1987. Citibank was in 14th place and Chase was 15th. Each managed 32 issues with a value of about \$1.8 billion last year.

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Mergers in 1987 Reach a Record \$17 Billion in Value

Continued from Page 1

record for the largest banking merger deal was shattered three times during the year.

These were some of the major moves on the banking and thrift merger scene in 1987:

- Several of the nation's emerging superregional banking firms, such as Virginia's Sovran Financial Corp., Ohio's Banc One Corp., and Pennsylvania's PNC Financial Corp., significantly expanded both the size and geographic coverage of their organizations.

- There were mergers among the superregionals. California's Security Pacific Corp. and Rhode Island's Fleet Financial Corp. struck deals that gave them a much larger presence in their home regions by yearend.

- Some superregionals that were among the most acquisitive in 1985 and 1986 — such as Boston-based Bank of New England Corp. — took the year off to focus on the consolidation and management of their enlarged organizations.

- In New York, two venerable banking institutions were engaged at the end of the year in an increasingly bitter hostile takeover battle. The outcome of Bank of New York Co.'s effort to acquire Irving Bank Corp. could have implications for future bank merger activity.

- Merger activity among thrifts was strong in 1987, especially in the Northeast and, more specifically, New England. The prospects are for more of the same this year.

Major Developments

But beyond all the maneuvering of 1987 there were two developments — one a trend and the other an event — that could affect the mergers landscape: the re-emergence of the merger-of-equals concept in bank acquisitions and the chaotic October stock market selloff.

The first began last March 18, when two well-regarded banking firms, Fleet Financial Group, Providence, R.I., and Norstar Bancorp. Albany, N.Y., announced that they would combine. The story was not that the \$1.25 billion value of the deal was the highest price yet seen, but that it was little more than 1.5 times Norstar's book value and meant minimal earnings-per-share dilution for Fleet.

Analysts characterized the low premium as "reverse sticker shock" because of the significantly higher acquisition prices that had come to prevail in the industry, even for the largest combinations.

A pair of other large mergers of equals followed — the \$1.34 billion deal between First Fidelity Bancorp., Newark, N.J., and Fidelcor, Philadelphia, announced on July 31, and the \$850 million pact between Hartford National Corp., Hartford, Conn., and Shawmut Corp., Boston, unveiled on Aug. 26.

"It's significant that the merger of equals concept came back last year for

big deals because it's the only way, really, to expand," said one mergers specialist. "You've got to do them as stock deals and dilution from a full-fledged purchase price is just unacceptable in most cases."

Effects of the Crash

The other development came on Oct. 19, when the Dow Jones industrial average plummeted 508 points. Bank and thrift industry stocks were not spared from the carnage, of course, and the aftershocks from the event are still being felt and assessed.

The immediate impact of the crash was a distinct cooling of merger activity followed by the unraveling of some deals. The medium-term to long-term effects of the market's seizure may, in fact, be quite different. There may be more deals, and some of them may be unwelcome by the banks targeted for acquisition.

"When the acquirers' stock prices fell down, the capacity to make deals declined and the strategy for expansion changed," the mergers specialist noted. "It will mean more mergers of equals and perhaps that some deals will not be done because sellers feel their value is worth a higher price."

"But some of those reluctant seller institutions may be susceptible to hostile bids, or at least less-than-friendly approaches," he pointed out, "because their own stocks have fallen out of bed as well."

Whether friendly or unfriendly, some deals might happen sooner. Several analysts said they expect acquiring institutions to take advantage of the fact that stocks of some acquisition targets are now selling below book value.

"An acquirer might be able to pay a premium to the market price of a bank stock and still not exceed its book value," one observer said. "It's the chance of a lifetime to do deals without incurring goodwill. The opportunity may not exist in six months and some astute acquirers may want to move quickly."

Thrift Mergers

The market crash may have a particular impact on merger activity among thrifts. "Oct. 19 was important for thrifts because it brought down stock prices of targets, as well as of acquirers," noted John J. Lyons, managing principal of Lyon, Zomback & Ostrowski, the New York consulting firm to financial institutions.

"Prices had gotten outrageously high, and even well-capitalized thrifts could not afford to buy their brethren," he said, "but now the typical well-capitalized thrift can afford to spend some capital on one big cash transaction — that is, because it's cash, nondilutive."

"It's a different market," he said, "and there may be more deals this year among thrifts you would not have expected to do any deals. There will be some active, larger thrift institutions in New England that you would not have counted on surviving."

The \$1.34 billion First Fidelity-Fidelcor merger was the year's biggest deal or offer by price. It was topped briefly by Bank of New York's \$1.4 billion hostile bid for Irving, which was announced on Sept. 25.

First Fidelity-Fidelcor was No. 1 again after Nov. 20, when Bank of New York cut its offer to \$1.25 billion in the wake of the market crash. Bank of New York's move put its bid into a tie with the \$1.25 billion combination of Fleet and Norstar, which was completed on Jan. 1.

That \$820 million merger is scheduled to be completed on Feb. 1 and will be the first deal finalized between New York and New Jersey under New Jersey's new reciprocal interstate banking law. First Jersey is being acquired by National Westminster Bank USA, the New York-chartered subsidiary of Great Britain's largest banking company.

Among the top 10 deals of 1987, there were two others carrying substantial premiums. PNC Financial Corp., Pittsburgh, paid 2.5 times book

At a Glance: Deals of the Year

Dollar amounts in millions

	No. of Deals	Aggregate Price	Aggregate Equity	Aggregate Earnings	Avg. Price To Equity	Avg. Price To Earnings
1987	229	\$17,145	\$9,630	\$1,216	1.8	14.0
1986	302	\$16,714	\$9,867	\$1,008	1.7	16.8

Source: American Banker

The other billion-plus deal of the year just ended was the \$1.150 billion acquisition of Rainier Bancorp., Seattle, by Security Pacific Corp., Los Angeles. The deal, which was completed in August, was among the most expensive in terms of acquisition premiums, too, with Security Pacific paying twice Rainier's book value.

The Fleet-Norstar and Security Pacific-Rainier deals were also significant because they were mergers among the emerging superregionals. The *American Banker* defines a superregional as a nonmoney center banking firm that ranks among the top 100 banking organizations in the nation in total assets and has merged across state lines to establish a full banking presence in another state.

Fleet's merger with Norstar vaults that combined company into the top class in its region, where it now ranks with Bank of Boston Co. and Bank of New England Corp. Security Pacific, meanwhile, has secured a commanding presence in the West with its Rainier acquisition.

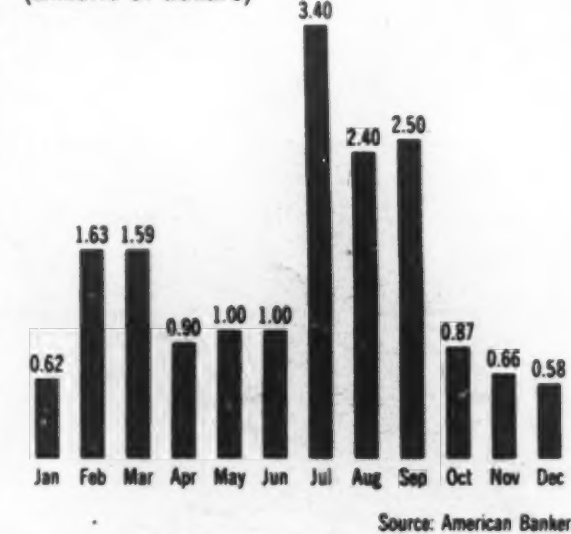
The Highest Premiums

The double-book premium paid by Security Pacific, however, was far from the highest premium paid among the 10 largest deals of the year. Shareholders of First Jersey National Corp., Jersey City, N.J., will get three times book value in selling out to National Westminster Bank PLC, London.

1987 Merger Activity

For banks and thrifts

Aggregate prices
(Billions of dollars)



Source: American Banker

in its \$700 million agreement to acquire Central Bancorp., Cincinnati, and Sovran Financial Corp., Norfolk, Va., paid 2.2 times book in its \$505 million acquisition of Commerce Union Corp., Nashville, which was completed on Nov. 1.

The deals put PNC into a strong position in the neighboring state of Ohio and gave Sovran a major presence in Tennessee.

In the other major superregional extension of the year, Banc One Corp., Columbus, Ohio, expanded its coverage of the Midwest to Wisconsin. It acted as a white knight in the \$546 million acquisition of Marine Corp., Milwaukee, which had rejected a higher bid from its local rival, Marshall & Ilsley Corp., Milwaukee.

Mpact Contest Brings Delayed Results

By JEFFREY KUTLER

NEW YORK — Mpact Mania, a three-month sweepstakes to encourage use of a major automated teller machine network, had the intended effect — but not until the campaign ended in early December.

Monthly transaction volume rose a disappointing 2% while Mpact Mania was in progress, according to Thomas R. Metz, executive vice president of MTech, Dallas. MTech, a subsidiary of MCorp, operates the 1,300-machine Mpact system in Texas and several other states.

Not until December was there a significant spike in volume, 7%, bringing Mpact to 7.3 million transactions that month.

"It looks like we had a delayed reaction," Mr. Metz said.

The first Mpact Mania promotion, four years ago, brought more immediate results, he said. But times were different then.

The Texas economy was healthier, and banks had not yet begun charging their customers \$1 or more for using ATMs owned by other institutions.

Those "foreign transaction" fees discourage the interbank volume that systems like Mpact were built to handle.

Mpact Mania's grand prize was \$50,000. It was a random payoff on a \$50 cash withdrawal by Mr. and Mrs. Cliff Hopper, from an Mpact machine at a Tom Thumb supermarket in Dallas. Mpact also gave away 32 Acapulco vacations and numerous restaurant and travel discounts.

Mpact also awarded free processing services to 18 banks that increased their ATM volume the most, reflecting their superior support for Mpact Mania.

Mpact Mania raised consumer awareness, Mr. Metz said. "But we found that what increases usage the most is demonstrations performed at the ATMs. One of our supermarket ATMs increased volume 24% within three months following a demonstration period."

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Ten Biggest Mergers of 1987

Ranked by value of offer (millions of dollars)

Acquirer	Acquiree	Price	Status
First Fidelity Bancorp., Newark	Fidelcor, Philadelphia	\$1,340	Pending
Bank of New York Co., New York	Irving Bank Corp., New York	1,250	Pending
Fleet Financial Group, Providence	Norstar Bancorp., Albany	1,250	Complete
Security Pacific Corp., Los Angeles	Rainier Bancorp., Seattle	1,150	Complete
Hartford National Corp., Hartford	Shawmut Corp., Boston	850	Pending
National Westminster PLC, London	First Jersey National, Jersey City	820	Pending
Hongkong & Shanghai Banking Corp.	Marine Midland Banks, Buffalo	800	Complete
PNC Financial Corp., Pittsburgh	Central Bancorp., Cincinnati	700	Pending
Banc One Corp., Columbus	Marine Corp., Milwaukee	546	Pending
Sovran Financial Corp., Norfolk, Va.	Commerce Union Co., Nashville	505	Complete

*Price for 48% not previously owned.

Source: American Banker

Mergers Completed in 1987

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

New England Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Combined Size (\$ Mil.)
1/2	Hartford National Corp., Hartford, Conn.	People's Bank Providence, R.I.	\$25	N.A.	7.0	←INTERSTATE→ \$12,000
2/23	The One Bancorp., Portland, Maine	Bank of Hartford, SA, Hartford, Conn./\$250	N.A.	N.A.	N.A.	←INTERSTATE→ \$1,500
3/3	BankEast Corp., Manchester, N.H.	United Banks Corp., Hanover, N.H./\$38.7	\$11.3	N.A.	N.A.	\$1,000
4/2	UST Corp., Boston	Valley Bank & Trust Co., Bridgeport, Conn./\$115	\$24.8	3.5	14.3	←INTERSTATE→ \$2,000
4/22	Bank of New England, Boston	Conifer Group, Worcester, Mass./\$3,900	\$656	3.1	19.8	\$27,000
5/31	Howard Bancorp., Burlington, Vt.	The Granite Bank, Barre, Vt./\$110	N.A.	N.A.	N.A.	\$675
6/1	Cooperative Bancorp., Concord, Mass.	Quincy Cooperative Bank, Quincy, Mass./\$257	\$58	1.5	18.7	\$530
7/31	Amoskeag Bank Shares, Manchester, N.H.	NTC Corp., Nashua, N.H./\$265	\$51.8	2.5	14.4	\$1,500
8/13	Hartford National Corp., Hartford, Conn.	Chester Bank, Chester, Conn./\$95	\$21.8	3.2	16.8	\$14,400
8/21	Hartford National Corp., Hartford, Conn.	Southington Savings, Southington Conn./\$190	\$18.8	0.7	7.2	\$14,400
9/1	N.H. Savings Bank Corp., Concord, N.H.	Seabrook B&T Corp., Seabrook, N.H./\$50	N.A.	N.A.	N.A.	\$1,200
10/7	Home Owners Federal, Burlington, Mass.	Union Warren Savings, Boston/\$700	N.A.	N.A.	N.A.	\$2,200

Southeast Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Combined Size (\$ Mil.)
1/12	Bancorp of Miss. Tupelo, Miss.	First Mississippi N.C. Hattiesburg, Miss.	\$24.3	1.2	9.4	\$1,400
1/15	Crestar Financial Corp., Richmond, Va.	People's Bank Pound, Va.	\$4.9	1.2	15.6	\$9,500
2/2	CB&T Bancshares, Columbus, Ga.	First Camden Bancorp, St. Marys, Ga./\$20	N.A.	N.A.	N.A.	\$1,600
3/31	CB&T Bancshares, Columbus, Ga.	First Community Bancshares, Tifton, Ga./\$62	N.A.	N.A.	N.A.	\$1,600
4/1	First American Corp., Nashville, Tenn.	First & Peoples National Bank, Gallatin, Tenn./\$65	\$12	2.7	20.4	\$6,000
4/1	Key Centurion Bancshares, Charleston, W.V.	Union Bancorp, Clarksburg, W.V./\$300	N.A.	N.A.	N.A.	\$1,600
4/1	Key Centurion Bancshares, Charleston, W.V.	Wayne Bancorp, Wayne, W.V./\$69	N.A.	N.A.	N.A.	\$1,600
5/19	Colonial BancGroup, Montgomery, Ala.	Jackson County Bank, Scottsboro, Ala./\$20	N.A.	N.A.	N.A.	\$1,300
5/22	Colonial BancGroup, Montgomery, Ala.	First Federal Bank, Opelika, Ala./\$57	N.A.	N.A.	N.A.	\$1,300
6/1	First Wachovia Corp, Winston-Salem, N.C.	First American Bank, Walton, Ga./\$74	N.A.	N.A.	N.A.	←INTERSTATE→ \$19,000
7/14	Branch Corp., Wilson, N.C.	Community Bancorp, Greenville, S.C./\$272	\$50	2.5	15.6	\$3,700
7/26	Barnett Banks, Jacksonville, Fla.	Home Federal Savings Bank, St. Petersburg, Fla./\$1,400	\$175	1.9	16.2	\$22,400
7/31	Gibraltar Financial Corp., Beverly Hills, Calif.	First Savings Bank, Tarpon Springs, Fla./\$800	\$116	1.6	20	←INTERSTATE→ \$13,200
9/18	First Corp., Raleigh, N.C.	First Federal Savings, Durham, N.C./\$76	N.A.	N.A.	N.A.	\$760
10/1	CB&T Bancshares, Columbus, Ga.	Carrollton State Bank, Carrollton, Ga./\$26	N.A.	N.A.	N.A.	\$1,600
11/1	Sovran Financial Corp., Norfolk, Va.	Commerce Union Corp., Nashville/\$3,874	\$505	2.2	16	←INTERSTATE→ \$20,350
11/1	Sovran Financial Corp., Norfolk, Va.	Security B&T Co., Centerville, Tenn./\$31	N.A.	N.A.	N.A.	←INTERSTATE→ \$20,350

Midwest Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Combined Size (\$ Mil.)
1/2	Banc One Corp. Columbus, Ohio	American Fletcher Corp. Indianapolis	\$597.3	2.4	16.2	←INTERSTATE→ \$18,000
1/2	American National Corp. Chicago, Ill.	Bank of Lansing, Lansing Ill.	N.A.	N.A.	N.A.	\$3,900
1/5	Trustcorp Toledo, Ohio	St. Joseph Bancorp South Bend, Ind.	\$80.6	1.9	18.6	←INTERSTATE→ \$5,125
1/5	First Federal Bank Cleveland	People's Savings Assn. Toledo, Ohio	N.A.	N.A.	N.A.	\$1,500
1/15	Summcorp. Fort Wayne, Ind.	American State Bank Sheridan, Ind.	N.A.	N.A.	N.A.	\$2,000
2/2	First Kentucky National Corp., Louisville	Mutual Banc Corp., New Albany, Ind./\$116	\$17.5	2.2	15.2	←INTERSTATE→ \$5,300
2/17	Mercantile Bancorp, St. Louis, Mo.	First Bancshares Corp., Alton, Ill./\$140.2	\$13.1	1.3	23.7	←INTERSTATE→ \$6,600
2/20	Marine Corp., Milwaukee, Wis.	Community State Bank, Bloomington, Minn./\$215	N.A.	N.A.	N.A.	←INTERSTATE→ \$4,300
2/27	Banc One Corp., Columbus, Ohio	First National Bank, Fenton, Mich./\$77	\$6.1	1.4	8.7	←INTERSTATE→ \$18,000
2/27	PNC Financial Corp., Pittsburgh	Citizens Fidelity Corp., Louisville/\$4,700	\$700	2.6	14	←INTERSTATE→ \$28,200
2/27	PNC Financial Corp., Pittsburgh	Madison National Bank, Richmond, Ky./\$96	\$14	1.7	12	←INTERSTATE→ \$28,200
4/1	First of America Bank Corp., Kalamazoo, Mich.	Lewiston State Bank, Lewiston, Mich./\$54.9	\$6.7	1.4	9.6	\$8,500
4/2	Trustcorp, Toledo, Ohio	Commercial Bankshares Corp., Adrian, Mich./\$170	\$19.5	2.1	16.0	←INTERSTATE→ \$5,125
4/27	Associated Banc-Corp., Green Bay, Wis.	Chicago Commerce Bancorp., Chicago/\$173	N.A.	N.A.	N.A.	←INTERSTATE→ \$1,500
5/20	Merchants National Corp., Indianapolis	Fayette Bancorp, Connersville, Ind./\$77	N.A.	N.A.	N.A.	\$4,000
5/27	First Midwest Bancorp., Naperville, Ill.	Bancorp of Mundelein, Mundelein, Ill./\$40	N.A.	N.A.	N.A.	\$1,600
6/1	Banc One Corp., Columbus, Ohio	First National Bank, Bloomington, Ind./\$271	\$52	2.2	17.5	←INTERSTATE→ \$18,000
6/1	First of America Bank Corp., Kalamazoo, Mich.	Keystone Bancshares, Kankakee, Ill./\$200	\$25	1.5	13.4	←INTERSTATE→ \$8,400
6/26	First of America Bank Corp., Kalamazoo, Mich.	WB Financial Corp., Wayne, Mich./\$90	\$14	N.A.	N.A.	\$8,500
6/30	Bank of Lenawee, Adrian, Mich.	Hudson State Savings Bank, Hudson, Mich./\$34	\$4.6	N.A.	N.A.	\$122
7/1	Alliance Financial Corp., Dearborn, Mich.	Michigan Bank Huron, East Tawas, Mich./\$55	N.A.	N.A.	N.A.	\$300
7/27	Comerica, Detroit	MetroBanc Savings Bank, Grand Rapids, Mich./\$333	\$43	2.2	13.2	\$10,000
8/28	Valley Bancorp., Appleton, Wis.	Community Banks, Middleton, Wis./\$375	\$51.5	1.9	16	\$2,600
8/31	Merchants National Corp., Indianapolis	Ohio Valley Bancorp., Madison, Ind./\$155	N.A.	N.A.	N.A.	\$4,600
9/1	Banc One Corp., Columbus, Ohio	First National Bank, Richmond, Ind./\$223.7	N.A.	N.A.	N.A.	←INTERSTATE→ \$18,000
9/1	Banc One Corp., Columbus, Ohio	Northwest Bank, Rensselaer, Ind./\$103.2	N.A.	N.A.	N.A.	←INTERSTATE→ \$18,000
9/1	Merchants National Corp., Indianapolis	Ohio Valley Bancorp, Madison, Ind./\$153	N.A.	N.A.	N.A.	\$4,600
9/1	Trustcorp., Toledo, Ohio	Citizens Trust Bancorp, Ann Arbor, Mich./\$325	\$50	2.7	17.2	←INTERSTATE→ \$5,125
11/1	Manufacturers National Corp., Detroit	Affiliated Banc Group, Morton Grove, Ill./\$812	\$142	2.4	12.1	←INTERSTATE→ \$8,500
11/24	Marine Corp., Springfield, Ill.	Commercial Bancshares, Champaign, Ill./\$98	\$16.6	N.A.	N.A.	\$875
11/25	Trustcorp, Toledo, Ohio	Citizens Bancorp, Hartford City, Ind./\$54	\$5.1	1.6	11.7	←INTERSTATE→ \$5,125
11/25	Trustcorp, Toledo, Ohio	First State Bancorp, Dunkirk, Ind./\$23.5	\$2.4	1.4	16.8	←INTERSTATE→ \$5,125
11/25	Trustcorp, Toledo, Ohio	Midwest Bancorp, Columbus, Ind./\$68	\$5.7	2.5	42.2	←INTERSTATE→ \$5,125
11/30	Huntington Bancshares, Columbus, Ohio	United Midwest Bancorp., Troy, Mich./\$403	\$66	2.2	20.6	←INTERSTATE→ \$8,000
12/31	First of America Bank Corp., Kalamazoo, Mich.	Manistee B&T Co., Manistee, Mich./\$114	\$11.3	1.4	9.5	\$8,500
12/31	Trustcorp, Toledo, Ohio	Ypsilanti Savings Bank, Ypsilanti, Mich./\$138	\$19	2.0	12.6	←INTERSTATE→ \$5,125

Mergers Completed in 1987

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

Mid-Atlantic Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Combined Size (\$ Mil.)
1/1	Fidelcor, Philadelphia	Merchants Bancorp, Allentown, Pa./\$2,000	\$380	2.6	15.1	\$11,700
1/2	Midlantic Corp. Edison, N.J.	Continental Bancorp. Philadelphia	\$680	2.2	13.3	←INTERSTATE→ \$16,800
2/16	The Bank of New York, New York	Long Island Trust Co., Garden City, N.Y./\$1,300	\$300	2.8	34	\$24,000
3/16	MNC Financial Corp., Baltimore	American Security Corp., Washington, D.C./\$4,300	\$438	1.7	15.3	←INTERSTATE→ \$15,000
4/1	Republic N.Y. Corp, New York	Williamsburgh Savings Bank, Brooklyn, N.Y./\$2,200	\$150	5.8	14.9	\$20,500
7/1	Savings & Trust Co., Indiana, Pa.	Union Bank & Trust, DuBois, Pa./\$150	N.A.	N.A.	N.A.	\$700
7/7	Commonwealth Bancshares, Williamsport, Pa.	County Bancorp., Montrose, Pa./\$145	N.A.	N.A.	N.A.	\$1,100
7/7	Commonwealth Bancshares, Williamsport, Pa.	First Bank, Troy, Pa./\$82	N.A.	N.A.	N.A.	\$1,100
7/7	NCNB Corp., Charlotte, N.C.	CentraBank, Baltimore/\$260	N.A.	N.A.	N.A.	←INTERSTATE→ \$25,000
8/26	First Virginia Banks, Falls Church, Va.	United Bancorp, Upper Marlboro, Md./\$151.1	\$36	3.1	23.7	←INTERSTATE→ \$4,350
10/1	Community Bank System, DeWitt, N.Y.	Nichols National Bank, Nichols, N.Y./\$18.6	2.8	1.6	8.0	\$500
11/16	Bank Maryland Corp., Towson, Md.	Maryland State Bank, Salisbury/\$39	\$5	1.8	20	\$70

Southwest Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Combined Size (\$ Mil.)
1/5	Union Bancorp Los Angeles	United Bancorp, Phoenix	N.A.	N.A.	N.A.	\$12,200
1/30	Equitable BankShares, Inc. Dallas	Landmark National Bank Arlington, Tex.	N.A.	N.A.	N.A.	\$45,000
4/30	United Banks of Colorado, Denver	IntraWest Financial Corp., Denver/\$1,100	\$127.4	1.5	31.0	\$5,800
5/1	Chemical N.Y. Corp, New York	Texas Commerce Bancshares, Houston/\$18,900	\$1,190	1.0	18.0	←INTERSTATE→ \$78,400
5/1	Commercial Federal S&L Assn., Omaha	Empire Savings, Building & Loan, Dever/\$2,100	\$45	0.5	10.2	←INTERSTATE→ \$5,100
5/18	Valley National Corp., Phoenix	Valley Utah Bacorp., Salt Lake City, Utah/\$825	\$117	2.3	16.3	←INTERSTATE→ \$11,000
6/6	First RepublicBank Corp, Dallas	InterFirst Corp, Dallas/\$18,500	\$588	0.66	N.A.	\$34,400
12/31	Keycorp, Albany, N.Y.	Western Security Financial Corp, Salem, Ore./\$125	\$16.8	N.A.	N.A.	←INTERSTATE→ \$10,300

West Coast Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Combined Size (\$ Mil.)
1/12	Puget Sound Bancorp, Tacoma, Wash	First State Bank Port Orchard, Wash.	\$4.3	1.4	5.9	\$3,500
2/28	Security Pacific Corp., Los Angeles	Diablo Bank, Danville, Calif./\$110	\$18	2.4	20.3	\$75,000
3/15	Rainier Bancorp., Seattle	United Bank, A Savings Bank, Tacoma, Wash./\$4,300	\$59	1.5	29.7	\$10,000
5/1	Gibraltar Financial Corp., Beverly Hills, Calif.	Santa Clara Savings, Santa Clara, Calif./\$350	\$16.5	N.A.	N.A.	\$14,350
5/19	Pacific Western Bancshares, San Jose, Calif.	Cobanco, Santa Cruz, Calif./\$479	\$34.3	1.2	16.7	\$1,000
7/1	U.S. Bancorp., Portland, Ore.	Old National Bancorp, Spokane, Wash./\$1,700	\$174	1.8	16.2	←INTERSTATE→ \$10,700
7/17	KeyCorp, Albany, N.Y.	Seattle Trust & Savings Ban, Seattle, Wash./\$693	\$74	1.8	30.8	←INTERSTATE→ \$10,300
8/20	Security Pacific Corp., Los Angeles	Rainier Bancorp., Seattle, Wash./\$10,000	\$1,150	2.0	16.4	←INTERSTATE→ \$75,000
11/1	Glenfed, Inc., Glendale, Calif.	Guarantee Financial Corp., Fresno, Calif./\$2,800	\$145	N.A.	N.A.	\$22,350
12/31	Keycorp, Albany, N.Y.	Commercial Security Bancorp, Ogden, Utah/\$830.3	\$102	1.9	20	←INTERSTATE→ \$10,300

1987 Agreements and Offers

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

New England Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Other Information
8/26	Hartford National Corp, Hartford, Conn./\$14,400	Shawmut Corp, Boston/\$10,697	\$850	1.3	10.8	←INTERSTATE→
9/21	Heritage-NIS Savings Bank, Northampton, Mass./\$859	Community Savings Bank, Holyoke, Mass./\$531	\$92	1.1	21.9	
12/10	Marble Financial Corp, Rutland, Vt./\$331	Eastern Bancorp, Burlington, Vt./\$421	\$67	1.2	14.5	
11/10	Bank of Boston Corp, Boston/\$31,000	BankVermont Corp, Burlington, Vt./\$667	\$60	1.2	25	←INTERSTATE→
11/10	Cooperative Bancorp, Concord, Mass./\$273	Quincy Cooperative Bank, Quincy, Mass./\$257	\$58	1.5	18.7	
11/23	New Bedford Savings, New Bedford, Mass./\$869.4	Tauton Savings Bank, Taunton, Mass./\$205	\$55	1.2	25	
8/17	The One Bancorp, Portland, Me./\$1,500	Southstate Bank for Savings, Brockton, Mass./\$213	\$41.4	N.A.	N.A.	←INTERSTATE→
10/30	Citizens Financial Group, Providence, R.I./\$2,600	Fairhaven Savings Bank, Fairhaven, Mass./\$260.7	\$39	1.26	19.5	←INTERSTATE→
10/12	Excel Bancorp, Quincy, Mass./\$594	Lincoln Trust Co., Hingham, Mass./\$594	\$37	3.0	14.8	←INTERSTATE→
9/14	N.H. Savings Bank, Concord, N.H./\$1,000	First Federal Bank, Nashua, N.H./\$289	\$30.6	2.3	16	
12/11	The One Bancorp, Portland, Me./\$1,500	East Weymouth Savings Bank, East Weymouth, Mass./\$95	\$19.8	1.2	26	←INTERSTATE→
2/20	Bank of New Hampshire, Manchester, N.H./\$668	Suncook Bank, Suncook, N.H./\$104	\$19.3	2.9	18.2	
10/2	Cheshire Financial Corp, Keene, N.H./\$321	Monadnock Bank, Jaffrey, N.H./\$106	\$15.6	2.3	24.5	
3/12	N.H. Savings Bank Corp, Concord, N.H./\$900	Seabrook B&T Co., Seabrook, N.H./\$46	\$9.8	3.5	16.3	
3/20	BankEast Corp., Manchester, N.H./\$650	First Federal Bank, Nashua, N.H./\$28	\$8.9	0.7	N.A.	
11/30	Merrimack Bancorp, Lowell, Mass./\$386	Hillsborough B&T Co., Milford, N.H./\$26	\$6.7	2.3	25	←INTERSTATE→
9/30	First Service Savings, Leominster, Mass./\$627	Fortune Guaranty Savings, Windham, Mass./\$35	\$6.62	3.0	N.A.	←INTERSTATE→
9/29	First N.H. Banks, Manchester, N.H./\$2,100	Bay Point Bancorp, Meridith, N.H./\$33.4	\$6	2.7	14.5	

1987 Agreements and Offers

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

Mid-Atlantic Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Other Information
9/25	Bank of New York Co., New York/\$24,000	Irving Bank Corp./\$24,000	\$1,400	1.7	11	
7/31	First Fidelity Bancorp., Newark, N.J./\$15,500	Fidelcor, Philadelphia/\$11,700	\$1,340	1.9	13.3	←INTERSTATE→
3/18	Fleet Financial Group, Providence, R.I./\$12,300	Norstar Bancorp., Albany, N.Y./\$12,100	\$1,250	1.6	12	←INTERSTATE→
8/5	National Westminster PLC, London/\$123,400	First Jersey National Corp., Jersey City, N.J./\$4,400	\$820	3.1	21.9	←INTERSTATE→
9/15	Hongkong & Shanghai Banking Corp., Hong Kong/\$90,862	Marine Midland Banks, Buffalo, N.Y./\$24,400	\$800	1.8	11.6	←INTERSTATE→
8/4	Home Group, Inc., New York, New York/N.A.	Carteret Savings Bank, Morristown, N.J./\$4,400	\$320	3.1	21.9	←INTERSTATE→
11/4	Union National Corp., Pittsburgh/\$3,300	Penbancorp., Titusville, Pa./\$3,200	\$300	1.3	10	
7/21	United Jersey Banks, Princeton, N.J./\$8,200	First Valley Corp., Bethlehem, Pa./\$1,300	\$265	2.4	16.1	←INTERSTATE→
1/20	First Chicago Corp., Chicago/\$41,700	Beneficial National Bank USA, Wilmington, Del./\$1,000	\$247	2.4	17.4	←INTERSTATE→
10/5	H.F. Ahmanson & Co., Los Angeles/\$28,500	Bowery Savings Bank, New York/\$6,300	\$200	0.6	10.6	←INTERSTATE→
7/22	First Empire State Corp., Buffalo, N.Y./\$2,900	East New York Savings Bank, Brooklyn, N.Y./\$1,700	\$200	1.8	6.5	
5/21	Meridian Bancorp., Reading, Pa./\$7,000	Delaware Trust Co., Wilmington, Del./\$1,150	\$196	2.5	23.6	←INTERSTATE→
6/17	Equimark Corp., Pittsburgh/\$2,800	Liberty Savings Bank, Philadelphia/\$450	\$42.3	1.41	14	
2/4	First Virginia Banks, Falls Church/\$4,350	United Bancorp., Upper Marlboro, Md./\$151	\$36	3.1	23.7	←INTERSTATE→
3/6	Dauphin Deposit Corp., Harrisburg, Pa./\$3,000	Colonial Bancorp., New Holland, Pa./\$150	\$30.5	3.1	21.7	
10/14	Citizens Bancorp., Riverdale, Md./\$1,700	McLachlen Bancshares, Washington, D.C./\$170	\$27	3.5	27.8	←INTERSTATE→
7/31	PNC Financial Corp., Pittsburgh/\$28,200	First Bancorp., Mechanicsburgh, Pa./\$119	\$26	2.3	14.4	
11/30	Fulton Financial Corp., Lancaster, Pa./\$1,100	Lafayette Trust Bank, Easton, Pa./\$77	\$26	2.9	16.2	
6/27	Midlantic Corp., Edison, N.J./\$16,800	County Bancorp., Lyndhurst, N.J./\$121	\$23.1	2.4	18.5	
3/17	Norstar Bancorp., Albany, N.Y./\$12,100	United National Bank, Callicoon, N.Y./\$90	\$20	3.0	13.3	
6/10	Riggs National Corp., Washington, D.C./\$6,100	First Fidelity Bank, Rockville, Md./\$67.1	\$19	2.9	40	←INTERSTATE→
6/4	PNC Financial Corp., Pittsburgh/\$28,200	First National Bank, Avoca, Pa./\$48	\$14	N.A.	N.A.	
10/23	United National Bank, Plainfield, N.J./\$498.8	First National Bank, Blairstown, N.J./\$40.5	\$8.8	2.75	19	
3/2	Union National Corp., Pittsburgh/\$3,300	Second National Bank, Masontown, Pa./\$60	\$8.7	1.5	8.7	
5/15	Bank Maryland Corp., Towson, Md./\$30	Maryland State Bank, Salisbury, Md./\$40	\$5	1.8	20	
4/14	Oxford First Holdings, Wilmington, Del./N.A.	First Federal Savings Bank, Wilmington, Del./\$215.5	\$4	0.8	5.6	
7/7	Atlantic Bancorp., Voorhees, N.J./\$150	William Penn Bank, Philadelphia/\$30	\$3	0.9	0.6	←INTERSTATE→
6/8	Atlantic Financial Federal, Bala Cynwyd, Pa./\$6,000	Uniontown Savings, Uniontown, Pa./\$35.2	\$2.79	N.A.	N.A.	
3/2	Community Bank System, De Witt, N.Y./\$428	Nichols National Bank, Nichols, N.Y./\$18.6	1.6	8.0		

Midwest Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Other Information
7/31	PNC Financial Corp., Pittsburgh/\$28,200	Central Bancorp., Cincinnati/\$4,510	\$700	2.5	13.2	←INTERSTATE→
7/24	Banc One Corp., Columbus, Ohio/\$18,000	Marine Corp., Milwaukee/\$4,300	\$546	2.0	15.3	←INTERSTATE→
12/28	Trustcorp., Toledo, Ohio/\$5,125	Summcorp., Fort Wayne, Ind./\$2,000	\$200	2.0	13.3	←INTERSTATE→
12/15	ABN/LaSalle North America, Chicago/N.A.	Lane Financial Corp., Northbrook, Ill./\$1,600	\$200			
1/15	First Chicago Corp., Chicago/\$41,700	First United Financial Corp., Arlington Heights, Ill./\$1,100	\$175	2.4	15.9	
4/28	Manufacturers National Corp., Detroit/\$8,000	Affiliated Banc Group, Morton Grove, Ill./\$798	\$142	2.4	12.1	←INTERSTATE→
11/24	First Chicago Corp., Chicago/\$41,700	Gary-Wheaton Corp., Wheaton, Ill./\$791	\$136	3.0	17	
6/25	NBD Bancorp., Detroit/\$22,600	State National Corp., Evanston, Ill./\$684	\$103	2.2	15.8	←INTERSTATE→
7/20	Marshall & Ilsley Corp., Milwaukee/\$5,500	Central Wisconsin Bankshares, Wausau, Wis./\$726	\$84	1.9	14.4	
9/10	Huntington Bancshares, Columbus, Ohio/\$7,800	United Midwest Bancorp., Troy, Mich./\$403	\$66	2.2	20.6	←INTERSTATE→
2/17	Valley Bancorp., Appleton, Wis./\$2,200	Community Banks, Inc., Middleton, Wis./\$375	\$51.5	1.9	16	
7/1	First Financial Group, Columbus, Ohio/N.A.	Buckeye Financial Corp., Columbus, Ohio/\$1,400	\$51.3	1.2	23.3	
5/6	Trustcorp., Toledo, Ohio/\$5,125	Citizens Trust Bancorp., Ann Arbor, Mich./\$316	\$50	N.A.	N.A.	←INTERSTATE→
3/10	Merchants National Corp., Indianapolis/\$4,200	Elston Corp., Crawfordsville, Ind./\$143	\$31.7	2.2	8.8	
11/30	Household Bank, Newport Beach, Calif./\$2,900	Freedom Federal Savings, Oak Brook, Ill./\$750	\$31	N.A.	N.A.	←INTERSTATE→
5/28	Old National Bancorp., Evansville, Ind./\$1,500	First Farmers Corp., Madisonville, Ky./\$135	\$23	1.7	11.5	←INTERSTATE→
11/24	Harris Bankcorp., Chicago/\$10,000	Norris Bancorp., St. Charles, Ill./\$200	\$22	2.4	14.6	
7/30	Exchange International Corp., Chicago/\$1,928	River Oaks Bancorp., Calumet City, Ill./\$114	\$20.8	2.5	16	
7/30	Trustcorp., Toledo, Ohio/\$5,125	Ypsilanti Savings Bank, Ypsilanti, Mich./\$138	\$19	2.0	12.6	←INTERSTATE→
8/30	Fourth Financial Corp., Wichita, Kans./\$2,500	Union Financial Corp., Manhattan, Kan./\$158	\$18.8	1.9	11	
10/2	Landmark Bancshares, St. Louis/\$1,600	Eagle Bank Corp., Highland, Ill./\$174	\$18.5	1.4	N.A.	←INTERSTATE→
6/1	Suburban Bancorp., Palatine, Ill./\$553	Woodstock State Bancorp., Woodstock, Ill./\$110	\$18	1.9	21	
2/1	Marine Corp., Springfield, Ill./\$875	Commercial Bankshares, Champaign, Ill./\$98	\$16.6	N.A.	N.A.	
7/15	Fifth Third Bancorp., Cincinnati/\$3,600	Firstbancorp., Batesville, Ind./\$90	\$13.7	1.5	14	←INTERSTATE→
9/26	Liberty National Bancorp., Louisville, Ky./\$2,600	Indiana First National Bancorp., Charleston, Ind./\$97.1	\$13.6	2.0	17	
8/4	Banc One Corp., Columbus, Ohio/\$18,000	Universal Corp., Ypsilanti, Mich./\$107.5	\$13	1.7	10	←INTERSTATE→
4/17	First of America Bank Corp., Kalamazoo, Mich./\$8,400	Manistee B&T Co., Manistee, Mich./\$114	\$11.3	1.4	9.5	
9/23	First of America Bancorp., Kalamazoo, Mich./\$8,400	First National Bancorp., Monroe, Wis./\$93	\$8.8	2.0	14.3	←INTERSTATE→
9/16	Lincoln Financial Corp., Fort Wayne, Ind./\$1,554	Rush National Bank, Rushville, Ind./\$61	\$8	1.9	15.5	
11/17	Liberty National Bancorp., Louisville, Ky./\$2,600	Bank of Shelbyville, Ky./\$45.5	\$7.2	2	14.4	
7/31	CBT Corp., Paducah, Ky./\$350	Pennyrile Citizens Bank, Hopkinsville, Ky./\$45	\$6.6	1.8	10.5	
3/19	First Wisconsin Corp., Milwaukee/\$7,000	North Shore Bancorp., Northbrook, Ill./N.A.	\$6.16	2.0	16.4	←INTERSTATE→
6/8	Merchants National Corp., Indianapolis/\$4,200	New Palestine Bank, New Palestine, Ind./\$40	\$5.7	1.5	17	
1/21	Trustcorp., Toledo, Ohio/\$5,125	Midwest Bancorp., Columbus, Ind./\$68.2	\$5.7	2.5	42.2	←INTERSTATE→
11/20	Liberty National Bancorp., Louisville, Ky./\$2,600	Bank of Elizabethtown, Elizabethtown, Ky./\$32.5	\$5.4	2.0	22.3	
1/21	Trustcorp., Toledo, Ohio/\$5,125	Citizens Bancorp., Hartford City, Ind./\$54.5	\$5.1	1.6	11.7	←INTERSTATE→
2/25	1stSource Corp., South Bend, Ind./\$1,000	Hamlet State Bank, Hamlet, Ind./\$33	\$5	1.4	12.5	
2/20	CNB Bancshares, Evansville, Ind./\$941	WVB Bancorp., Vincennes, Ind./\$30	\$4.4	1.5	16	
6/22	Midwest Financial Group, Peoria, Ill./\$2,200	Pershing National Bank, Decatur, Ill./\$23	\$3.2	1.2	19	
6/22	Midwest Financial Group, Peoria, Ill./\$2,200	South Shore National Bank, Decatur, Ill./\$18	\$2.5	3.2	1.3	
1/12	Trustcorp., Toledo, Ohio/\$5,125	First State Bank, Dunkirk, Ind./\$23.5	\$2.4	1.4	16.8	←INTERSTATE→
9/26	Liberty National Bancorp., Louisville, Ky./\$2,600	First Indiana Bank, Milltown, Ind./\$7.3	\$1.2	1.9	N.A.	←INTERSTATE→

1987 Agreements and Offers

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

Southeast Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Other Information
4/27	Sovran Financial Corp, Norfolk, Va./\$20,350	Commerce Union Corp, Nashville/\$3,900	\$654	2.2	16	←INTERSTATE→
10/9	First Union Corp, Charlotte, N.C./\$26,800	Florida Commercial Banks, Miami/\$979	\$176	2.5	19.1	←INTERSTATE→
6/25	Kinder-Care, Inc., Montgomery, Ala./N.A.	American S&L Association, Miami/\$3,100	\$138	0.8	3.9	←INTERSTATE→
1/12	AmSouth Bancorp, Birmingham, Ala./\$6,500	First Mutual Savings, Pensacola, Fla./\$800	\$56.5	1.5	28.2	←INTERSTATE→
12/3	First American Corp., Nashville/\$6,250	Northern of Tennessee, Clarksville, Tenn./\$328	\$51.3	2.6	18.3	
9/9	Dominion Bankshares, Roanoke, Va./\$7,300	Greene County Bancshares, Greeneville, Tenn./\$185.4	\$44.2	2.5	14.8	←INTERSTATE→
9/16	Dominion Bankshares, Roanoke, Va./\$7,300	Citizens Union Bancorp, Rogersville, Tenn./\$165.4	\$36.9	2.5	13.6	←INTERSTATE→
9/30	United Bancshares, Charleston, W.V./\$785	Heritage Bancorp, Glenville, W.V./\$135	\$29.7	2.2	13.5	
4/22	Great Western Financial Corp, Los Angeles/\$29,500	Southern Home Savings, Pensacola, Fla./\$251	\$28.4	1.5	14.9	←INTERSTATE→
1/12	First Union Corp, Charlotte, N.C./\$26,800	Sarasota B&T Co., Sarasota, Fla./\$21	\$24.5	2.4	N.A.	←INTERSTATE→
1/18	Bankers First Corp, Augusta, Ga./\$1,600	First Federal Savings Bank, Brunswick, Ga./\$205	\$24	2.4	9.6	
6/1	Montrose Capital Corp, Durham, N.C./N.A.	Virginia Federal Savings, Richmond, Va./\$700	\$20	N.A.	N.A.	←INTERSTATE→
2/13	Southeast Banking Corp, Miami/\$12,700	West Florida Bank, Pensacola, Fla./\$98.9	\$20	1.8	N.A.	
10/19	First American Corp, Nashville/\$6,250	American B&T Co., Cookeville, Tenn./\$154	\$19.1	2.5	15.9	
11/30	Peoples Bancorp, Rocky Mount, N.C./\$1,000	Seaboard S&L Association, Virginia Beach, Va./\$97	\$18.5	2.2	37	←INTERSTATE→
4/30	Bank South Corp, Atlanta/\$3,000	First Bank Financial Corp, Conyers, Ga./\$64.6	\$17.8	3.0	12.7	
2/4	SunTrust Banks, Inc., Atlanta/\$26,200	Loudon County Bancshares, Lenoir City, Tenn./\$70	\$16	2.6	16	←INTERSTATE→
8/19	Dominion Bancshares, Roanoke, Va./\$7,300	Peoples National Bancorp, Shelbyville, Tenn./\$91.3	\$15	2.2	N.A.	←INTERSTATE→
8/12	First Tennessee National Corp, Memphis/\$6,000	Peoples & Union Bank, Lewisburg, Tenn./\$66	\$15	2.6	15.5	
10/21	Key Centurion Bankshares, Charleston, W.V./\$1,800	Lincoln National Bank, Hamlin, W.V./\$60	\$14.3	1.5	11	
3/5	First Union Corp, Charlotte, N.C./\$26,800	First State Bancshares, Pensacola, Fla./\$104.3	\$12.5	2.0	11.3	←INTERSTATE→
7/21	Dominion Bankshares, Roanoke, Va./\$7,300	Franklin First Corp, Decherd, Tenn./\$57	\$11.7	2.5	13.5	←INTERSTATE→
3/18	Fortune Financial Group, Clearwater, Fla./\$2,400	Marine S&L Association, Naples, Fla./\$133	\$10	1.6	16	
6/26	Citizens & Southern Corp, Atlanta/\$19,300	Southern Bank, Tallahassee, Fla./\$55	\$10	N.A.	N.A.	←INTERSTATE→
11/27	Barnett Banks, Jacksonville, Fla./\$22,000	First Fulton Bancshares, Palmetto, Ga./\$41	\$9.8	3.5	21.7	←INTERSTATE→
7/15	Grenada Sunburst Corp, Grenada, Miss./\$1,200	Bank of Laurel, Laurel, Miss./\$73	\$9.1	1.8	14.5	
3/18	First Union Corp, Charlotte, N.C./\$26,800	Commerce National Bank, Naples, Fla./\$43.2	\$8.5	2.5	N.A.	←INTERSTATE→
3/4	Metropolitan Federal Savings/\$1,000	American Trust Savings, Hendersonville, Tenn./\$40	\$8.25	2.1	9.4	
1/10	Mercantile Bankshares, Baltimore/\$2,800	Eastville Bank, Eastville, Va./\$22	\$7.1	2.1	19.3	←INTERSTATE→
7/27	First American Corp, Nashville/\$6,250	First National Bank, Rockwood, Tenn./\$110	\$6.4	1.0	7.1	
10/8	Peoples Bancorp, Rocky Mt., N.C./\$1,000	Citizens National Bank, Winston-Salem, N.C./\$36.2	\$6.5	1.8	36	
8/3	First United Bancorp, Oakland, Md./\$250	First National Bank, Piedmont, W.V./\$23	\$5	2.1	19.23	←INTERSTATE→
2/6	Commerce Union Corp, Nashville/\$3,900	Security B&T Co., Centerville, Tenn./\$31	\$5	1.2	9.9	
10/6	RHNB Corp, Rock Hill, S.C./\$249.3	MetroBank, Charlotte, N.C./\$21.4	\$4.2	2.5	6	←INTERSTATE→
2/2	Bancorp of Mississippi, Tupelo, Miss./\$1,100	American Bank, Vicksburg, Miss./\$23.7	\$2.9	1.16	N.A.	
7/2	First Union Corp, Charlotte, N.C./\$26,800	Bank of Bellevue, Nashville, Tenn./\$8.9	\$1.9	2.9	N.A.	←INTERSTATE→
2/25	Union Planters Corp, Memphis, Tenn./\$2,100	Bank of Trenton & Trust Co., Trenton, Tenn./\$27.7	\$1.6	0.8	3.2	

Southwest Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Other Information
5/21	First Interstate Bancorp, Los Angeles/\$52,000	Allied Bancshares, Houston/\$9,863	\$425	0.6	N.A.	←INTERSTATE→
3/31	Keycorp, Albany, N.Y./\$10,300	Commercial Security Bancorp, Ogden, Utah/\$830	\$102	1.9	20	←INTERSTATE→
6/17	Citizens Bank & Trust Co., Thibodaux, La./\$265	Lafourche National Bank, Thibodaux, La./\$118.5	\$25.2	2.3	40	
8/17	SunWest Financial Services, Albuquerque, N.M./\$2,550	American Southwest Bancshares, El Paso, Texas/\$202	\$22.9	1.6	26.3	←INTERSTATE→
9/16	Colson Investments, New York/N.A.	Jefferson Guaranty Bank, Metairie, La./\$300	\$17	N.A.	N.A.	
6/4	Great Western Financial, Beverly Hills, Calif./\$29,500	First Commercial Savings, Phoenix, Ariz./\$76	\$17	N.A.	N.A.	←INTERSTATE→
9/14	First Commerce Corp, New Orleans/\$3,600	First Commercial Bancshares, Chalmette, La./\$110	\$16.5	1.6	39.3	
1/17	Security Pacific Corp, Los Angeles/\$75,000	The State Bank, Lake Havasu City, Ariz./\$77	\$12.7	2.6	N.A.	←INTERSTATE→
10/19	First American Bancorp, Levelland, Texas/N.A.	Texas American Bank, Levelland, Texas/\$196.7	\$12	1.0	6	
5/18	Continental Illinois Corp, Chicago/\$33,400	Grand Canyon Bank, Scottsdale, Ariz./\$26.1	\$4.2	2.3	N.A.	←INTERSTATE→
2/17	First Nationwide, San Francisco/\$15,000	Capital Savings, Phoenix, Ariz./\$36.7	\$3	1.3	N.A.	←INTERSTATE→

West Coast Region

Date	Acquirer/Asset Size (\$ Mil.)	Acquired/Asset Size (\$ Mil.)	Price (\$ Mil.)	Price to Equity	Price to Earnings	Other Information
2/24	Security Pacific Corp, Los Angeles/\$75,000	Rainier Bancorp, Seattle/\$10,000	\$1,150	2.0	16.4	←INTERSTATE→
5/19	U.S. Bancorp, Portland, Ore./\$10,000	Peoples Bancorp, Seattle/\$2,400	\$288	2.0	N.A.	←INTERSTATE→
2/26	Glenfed, Inc., Glendale, Calif./\$22,350	Guarantee Financial Corp, Fresno, Calif./\$2,800	\$145	N.A.	N.A.	
8/24	D.P. Holdings, Marina del Rey, Calif./N.A.	Western Federal Savings, Marina del Rey, Calif./\$2,000	\$145	1.5	12.9	
7/28	Great Western Financial Corp, Los Angeles/\$29,500	Great Western Savings Bank, Bellevue, Wash./\$750	\$53	0.75	N.A.	←INTERSTATE→
3/16	San Paolo U.S. Holding Co., New York/\$625	Valley National Bank, Glendale, Calif./\$243	\$46.7	2.45	13.3	←INTERSTATE→
8/26	San Francisco Federal Savings, San Francisco/\$2,800	Capital Federal Savings, Sacramento, Calif./\$926	\$35	1.0	11.6	
10/26	Pacific First Financial, Tacoma, Wash./\$4,500	Prudential Bancorp, Seattle/\$725	\$34	0.75	N.A.	
8/6	Talley Industries, Phoenix, Ariz./N.A.	East-West Federal Bank, Los Angeles/\$338	\$27.3	2.4	8.2	←INTERSTATE→
6/25	Keycorp, Albany, N.Y./\$10,000	Western Security Financial Corp., Salem, Ore./\$125	\$16.8	N.A.	N.A.	←INTERSTATE→
3/10	Bank of California, San Francisco/\$4,200	Bank of Palm Springs, Palm Springs, Calif./\$100	\$16.2	2.5	23.1	
11/6	Ventura County National Bancorp, Oxnard, Calif./\$175.3	Pacific Bancorp./Bakersfield, Calif./\$192.2	\$15.5	1.8	N.A.	
2/23	Keycorp, Albany/\$10,000	First Northwest Bancorp, Seattle, \$109	\$14.5	1.7	13.5	←INTERSTATE→
10/9	Nevada Savings Corp, Las Vegas/\$2,180	Union Savings Association, Phoenix, Ariz./\$38.1	\$8.7	2.2	N.A.	←INTERSTATE→
5/19	Washington Mutual Savings, Seattle/\$5,600	Shoreline Savings Bank, Seattle/\$450	\$7.5	0.6	N.A.	
3/3	California Commercial Bancshares, Santa Ana, Calif./\$130.2	Corporate National Bank, Santa Ana, Calif./\$52.6	\$4.7	1.1	14.7	
7/27	California State Bank, Covina, Calif./\$148	Southland Bank, Arcadia, Calif./\$46	\$4.5	2.0	N.A.	
11/18	Santa Barbara Bancorp, Santa Barbara, Calif./\$478	Community Bank, Solvang, Calif./\$26	\$4.3	2.0	N.A.	

Directors Buy Stock In Proposed Bank

PHILADELPHIA — The 13 directors of the proposed Republic Bank here have agreed to buy 149,423 shares, or 24.5%, of the minimum of 610,000 shares being offered directly to investors, according to Rolf A. Stensrud, president and chief executive officer. The shares are being offered at \$8.50 a share, or \$5.18 million.

The maximum number of shares to be offered directly is 900,000.

Following the direct offering, an additional 300,000 will be offered at \$10 a share by Bailey, Martin & Appel Inc., of Philadelphia. Of these, 200,000 shares will be underwritten, 100,000 offered on a "best-efforts" basis.

Mr. Stensrud, 49, is a former senior vice president of Fidelity Bank here. He and also had been with the old Industrial Valley Bank and Trust Co. and Girard Bank. He said Republic would "project the image of a community bank and emphasize personal service" to small and medium-size businesses and professionals. It has received preliminary approval from the Pennsylvania Department of Banking.

The bank will be in the former first-floor office of Bank Hapoalim, Israel, which has moved to the second floor. ■

US Bancorp Acquires Peoples

SEATTLE — U.S. Bancorp, Portland, Ore., has completed its acquisition of Seattle-based Peoples Bancorp., according to a filing with the Securities and Exchange Commission.

U.S. Bancorp, a bank holding company, issued 2.6 common shares for every Peoples Bancorp. share tendered, according to the filing. ■

Lenders Fine-Tune Strategies for '88

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niche by targeting franchisees who decide they want to open operations outside their home areas. "A regional bank might be a little reluctant" to make such a loan, he said.

Other companies are looking to enter the field, such as a franchise funding unit of Citicorp and Franchise Finance Corp., an independent company that arranges equity and debt financing packages and passes the tax advantages on to investors.

Road Repairs Loom

On another front, roads that were built in the 1950s and 1960s have deteriorated, with states and municipalities only now realizing that their highways must be repaved or perhaps replaced.

"Sooner or later, someone has got to recognize that the infrastructure of this country is deteriorating," said Mr. Focareta, explaining the attention his company is devoting to road repair.

"Typically, we're a company that will go to the end user — like the construction company that wants to buy a bulldozer," said Mr. Focareta. "We'll do it by knocking on the doors of the end users. If at times we have to go a little beyond the loan, we will." That might mean arranging receivables financing or offering another financial service to the construction firm.

While he acknowledged it is a very competitive business, Mr. Focareta says openings exist because many companies exited several years ago, when little road repair work was being done.

"Back 5, 10, or 15 years, when you talk about asset-based lending, road construction is where you were," he said. He added that about 60% of Westinghouse's business traditionally was related to road construction. ■

MasterCard Completes Acquisition of Cirrus

Card Issuer Plans to Use Name in ATM Network, Replacing MasterTeller Logo

By YVETTE D. KANTROW

NEW YORK — MasterCard International Inc. on Friday completed its acquisition of Cirrus System Inc., the nation's largest shared automated teller machine network.

The price was not disclosed, but earlier reports placed the value of the transaction at \$38 million. Under the purchase agreement, Cirrus becomes a wholly owned subsidiary of New York-based MasterCard.

Cirrus is based in Downers Grove, Ill. It will continue to operate as a separate entity with its own management team and a board of directors chosen from its members. Russell E. Hogg, president and chief executive officer of MasterCard, will join the Cirrus board.

The network of 18,500 ATMs was owned by NBD Bancorp, Detroit; Bay-Banks Inc., Boston; First Interstate Bancorp, Los Angeles; Mellon Bank Corp., Pittsburgh; Bank of Montreal; and Norwest Corp., Minneapolis.

About 3,400 U.S. and Canadian fi-

nancial institutions participated in Cirrus as of yearend 1987. Cirrus expects to have 30,500 ATMs, 4,300 member institutions, and 116 million eligible cardholders by the end of 1988, with much of the growth resulting from the merger.

MasterCard announced its agreement in principle to acquire Cirrus last September. The card issuer said it would use the Cirrus name on its worldwide network of ATMs, replacing its current MasterTeller logo. As MasterTeller members apply for Cirrus membership, the Cirrus network could gain approximately 8,300 machines.

The Cirrus network would then extend into Alabama, where it was not previously represented, and beyond the United States for the first time.

NBD Bancorp will continue to operate the ATM network's switch for another three years, according to Cirrus president Bruce A. Burchfield. After the contract with NBD expires, it is

likely that MasterCard will take over the telecommunications responsibility.

"Most of Cirrus' members are connected to NBD already," Mr. Burchfield said. "To move it now would be the most move to advance the least."

The link between the two networks will be operational within this quarter.

With MasterCard's purchase of Cirrus, both major nationwide ATM networks are now affiliated with a bank credit card association. Visa U.S.A., San Mateo, Calif., purchased a minority interest last year in Plus System Inc. for \$5 million. Visa has an option to acquire Denver-based Plus outright, but has said it does not anticipate taking that step.

Visa did decide to offer ATM services internationally using the Plus name and logo. This could double the size of the Plus 18,000-machine ATM network if all Visa members worldwide adopt the Plus identity. ■

Connecticut Thrift Asks Merrill Lynch to Help Find Suitors

By LINDA ELLIS

NEW YORK — Northeast Savings, Hartford, Conn., has asked its investment banker to find a buyer for the \$6.8 billion-asset thrift.

Kent Dixon, Northeast's chairman and chief executive officer, said the board has directed Merrill Lynch Capital Markets to "explore strategic financial alternatives to maximize stockholder value."

While it is not clear whether this is the best time to sell Northeast, the thrift already has "several possible candidates" for buyers, said Mr. Dixon. A sale will not take place unless the purchaser, the terms, and the price are ap-

propriate, he added.

Northeast lost \$5.3 million in the quarter ended Sept. 30, down from earnings of \$7.2 million for the period in 1986. The company took a one-time charge of \$5.5 million in the 1987 quarter for restructuring, including the sale of 17 unprofitable branches and a reduction in overhead.

For its fiscal year ended March 31, the thrift earned \$33.2 million, down from \$37.8 million the previous year.

Discussions with investor Abraham D. Gosman had reached a holding pattern, but Mr. Gosman declined to accept a tentative standstill agreement

with Northeast after he learned the board is considering alternative buyers, Mr. Dixon said. Mr. Gosman and family members own 9.8% of Northeast stock and have regulatory approval to buy up to 35% of the thrift's common shares.

Mr. Gosman is traveling and could not be reached for comment.

In October, Northeast adopted a shareholder rights plan designed to protect against hostile takeovers. On Dec. 29, four shareholders filed a class-action suit against the company, charging the antitakeover plan was not in the best interest of shareholders. ■

Citibank South Dakota a Major Participant in Swap Market

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charges of between 18% and 21%, the bank is able to lock in quite sizable spreads, especially in today's environment, where the six-month London interbank offered rate hovers at about 7.5%, and two-year Treasury note yields are about 7.8%. Citibank's goal is to make sure that the floating-rate payment it receives offsets its own cost of raising funds for the credit card portfolio.

In an environment of rising rates, Citibank South Dakota may stand to profit because the floating-rate payment generally increases at a faster rate than the cost of its funds.

The strategy used by Citibank is not the only one available for managing credit card portfolios. For instance, a bank that finances its credit card receivables with medium-term notes, such as three-year instruments, would then want to arrange a swap in which it could receive three-year money to help pay its funding costs. This institution would then pay the floating side of the transaction and receive the fixed rate.

Many other banks said they aggressively hedge their credit card portfolios with swaps, but figures are not available for each institution.

"There are a variety of synthetic instruments that can help a bank fund, at a favorable interest rate, the maturity of its credit card portfolio, and swaps are one of those which is used fairly well," said Robert Rosholt, treasurer of First Chicago Corp.

"The real key a bank has to know is what interest rate sensitivity it has. It uses swaps to match that sensitivity."

Notional Value of Swaps Outstanding

Top 25 banks (thousands of dollars)

6/87 Rank	6/87 Rank		Notional Value June 1987	Notional Value Dec. 1986	Notional Value Dec. 1985
Value	Asset Size				
1	1	Citibank	\$90,838,000	\$66,071,000	\$33,380,000
2	5	Chemical Bank	67,253,000	35,531,000	16,051,133
3	7	Bankers Trust Co.	66,828,183	51,565,000	23,541,000
4	6	Manufacturers Hanover Trust Co.	52,550,000	37,956,000	22,413,601
5	3	Chase Manhattan Bank	40,051,644	21,948,194	9,994,300
6	8	Security Pacific National Bank	28,457,392	14,739,495	1,328,598
7	9	First National Bank of Chicago	19,381,043	17,722,840	8,458,000
8	2	Bank of America	14,472,000	11,489,000	7,367,000
9	15	First Interstate Bank	13,882,489	11,343,601	7,176,760
10	13	Marine Midland Bank	10,139,480	4,242,480	3,154,600
11	11	Mellon Bank	6,629,518	5,956,720	2,440,046
12	14	Irving Trust Co.	4,898,851	2,437,141	502,400
13	10	Continental Illinois	4,615,319	4,923,875	3,322,362
14	16	Bank of New York Co.	4,534,529	3,573,540	1,216,076
15	19	Bank of New England	2,319,680	1,412,192	312,333
16	22	Philadelphia National Bank	2,281,844	1,210,426	684,000
17	23	Harris Trust & Savings Bank	2,117,715	2,109,170	1,603,700
18	20	Citibank South Dakota	2,100,000	945,000	0
19	21	Seattle-First National Bank	1,825,362	1,799,569	754,300
20	12	Bank of Boston	1,819,239	1,931,948	1,482,270
21	24	Comerica Bank-Detroit	1,540,716	1,565,716	1,168,000
22	26	Bank One Columbus	1,524,790	1,362,790	1,607,280
23	25	National City Bank	1,344,218	1,229,218	658,400
24	18	NCNB-North Carolina	1,228,709	689,942	10,000

Source: Board of Governors of the Federal Reserve System, Combined Call and Income File. 1987 data from call reports filed June 30, 1987. Other data from yearend call reports.

Swaps are also more attractive than other kinds of interest rate protection, such as futures contracts, because of

the liquidity of the market and the fact that maturities are much longer than

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